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Approved by U -
October 14, 1959

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DEPARTMENT OF STATE

Memorandum of Conversation

DEPARTMENT OF STATE A/CDC/MYR

DATE: 14 MAY 1982

DATE: October 6, 1959

SUBJECT: Volta River Project

PARTICIPANTS: Mr. C. Douglas Dillon, Under Secretary, Department of State
Mr. H. K. Gbedemah, Finance Minister, Ghana
Mr. Hamish Millar-Craig, Permanent Secretary, Minister of Finance, Ghana
Major Seth Anthony, Charge d'Affaires, Embassy of Ghana
H. E. William Cuao Marmon Halm, Ambassador-designate to U.S.
Mr. Albert K. Kwateng, Senior Assistant Secretary to Minister of Finance, Ghana
Mr. Richard Akwei, 1st Secretary, Embassy of Ghana
Mr. C. Vaughan Ferguson, Jr., Director, AFS
George R. Kenney, ED E. L. Padberg, Jr., AFS

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The purpose of Mr. Gbedemah's call today was to review with Mr. Dillon recent developments relating to the Volta Project.

After referring to his government's meeting with Kaiser representatives at Accra on September 15, Mr. Gbedemah stated Ghana does not intend to discuss the question of financing the Volta Project with the United States until after December 4, 1959, the day on which Kaiser has indicated it will submit to Prime Minister Nkrumah a firm proposal of a consortium of aluminum companies to establish a smelter in Ghana. Mr. Black, he said, expressed the opinion that the Volta Project might be financed on an international basis once an aluminum consortium is formed. With reference to financing the Project Mr. Gbedemah said Ghana would arrange the financing of the dam and power installation which it has been estimated will run around 62 million pounds (\$172.6 million). The aluminum smelter, on the other hand, he said, it has been agreed will be financed solely by the aluminum companies with the understanding Ghana will be permitted to obtain a percentage of the shares in smelter sometime within the next 20 years.

Mr. Gbedemah

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Mr. Gbedemah asked Mr. Dillon for the Department's current views on this Project. Mr. Dillon said the Department had always felt the Project made sense if there was a firm commitment of the aluminum companies-- and this Project now appears to be a reality. Mr. Dillon, after pointing up the importance of the role the World Bank can play, mentioned the World Bank would probably take a large share of the total financing. The needs for financing could be worked out by starting with the problem of power costs and working back toward capital requirements. Heretofore, there have been too many unknowns for a Project of this size. Mr. Gbedemah said Mr. Black had suggested an international financing arrangement with the Bank as the center from which contacts could be made. Mr. Dillon replied this was exactly what he had in mind, that is, using the World Bank as a focal point for organizing the financing. Mr. Gbedemah's comment to this was that he felt that World Bank money would be too dear. Mr. Dillon pointed out that we were not thinking of foreign participation in a World Bank loan but rather of the Bank as a promoter of additional bilateral financing arrangements. Mr. Dillon said he thought Ghana would need an objective international organization as a salesman for the project and the World Bank could do this much better than the United States. While it may be that Ghana could do this much better on its own, Mr. Dillon said the advantages of using Mr. Black's facilities should not be overlooked.

A discussion with regard to the cost of power, Mr. Dillon said, could only be held when Ghana has a firm offer from a consortium.

Mr. Dillon expressed delight with the progress that had been made to date. He referred to events of last spring when there began to be some evidence that the aluminum industry as a whole was getting out of the dumps and was beginning to look ahead to future demands. Mr. Dillon expressed the view that the general feeling of the aluminum companies today is that the West Coast of Africa, since it has both bauxite deposits and power potentialities, has the best prospects in the world. Mr. Dillon said Mr. Black had told him that he now thinks that Africa can perhaps support the Volta Project, a small project in Inga, and something in Guinea. While it is not necessary now to decide on one project over another, Mr. Dillon said Ghana has the advantage in that reengineering of the dam has lowered original estimated costs. Mr. Gbedemah noted the Ghana project would help Guinea as well since the Ghana smelter would initially use Guinea bauxite. In this connection Gbedemah said Mr. Kaiser had told Ghana of his company's interest in Guinean bauxite but indicated this would not affect their going ahead in Ghana. Mr. Gbedemah stated he was requesting his government to issue a formal invitation as soon as possible to the World Bank to send an economic survey team to Ghana since he is convinced this will facilitate financing of the Project.

The conversation ended with references to the generally optimistic outlook with regard to world demand for aluminum.

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